

**San Jose Medical Center
Closure Impact Study
Opinions of Local Physicians**

Based on Interviews Conducted by Henry W. Zaretsky & Associates, Inc.
and *pmpm*® Consulting Group Inc.

June 28, 2007

This is a follow up to the report we prepared in 2004 assessing the impact of the then-proposed closure of San Jose Medical Center on the residents of the downtown community and the medical community who had offices in the area and provided in-patient and out-patient services to those residents. During that study we identified physicians, medical group administrators and executives of medical groups and medical service organizations (MSO) who offered candid and insightful information for our report.

In January 2007 we revisited these contacts, and based on referrals and advice from them, we expanded our list of interviewees. We prepared a questionnaire, which we basically followed for each person interviewed (see Exhibit 1). Many also provided additional opinions and insights, which are shown below without direct attribution to protect the confidentiality of the respondent.

Exhibit 2 provides a table containing data gathered by City planning staff, counting physicians located near SJMC in December 2004 (at the time of closure) and in April 2007. This is intended to provide some “hard” data on the impact to date of the SJMC closure on physician availability near the hospital site.

The information reported below reflects the opinions of the providers interviewed. Much of it is anecdotal. We did not attempt to verify their opinions and statements. The information is provided to enable the reader to gain an understanding of local physicians’ feelings regarding the impact of the Medical Center closure and what actions, if any, they suggest to minimize the impact. These opinions do not necessarily reflect those of the authors.

The following individuals were included for this opinion survey:

Ernie Wallerstein, CEO, San Jose Medical Group

Larry Bonham, M.D., CEO, Santa Clara County Individual Practice Association and Pacific Partners Management Services, Inc.

James Hinsdale, M.D. Former Chief of Staff, San Jose Medical Center – current Trauma Center at Regional Medical Center

Linda Keningsberg, CEO, Excel MSO, LLC

Sydney Choslovsky, M.D., Pulmonologist and Critical Care Physician, San Jose Medical Center

Robert Norman, M.D., Chief Family Practice Residency Program, Formerly at San Jose Medical Center – currently at O'Connor Hospital

Dayton Misfeldt, M.D., Oncologist

Morteza Dowlatshahi, M.D., Radiation Oncologist

Ellis Weaker, M.D., Emergency Physician, Good Samaritan Hospital

David Hunter, M.D., Emergency Physician, Regional Medical Center

Physicians' and Administrators' Responses and Findings

- Prior to the closure of SJMC, the physicians' volume of patients attributable to downtown residents ranged from 5% to 75%, with the majority reporting over 50%, particularly for primary care.
- Some report retaining these patients, while others report a considerable dispersion to O'Connor, Good Samaritan, El Camino and Saint Louise. Others report that they do not know where the patients are now being served.
- A comprehensive study was conducted by the Family Practice Residency Program, with disturbing results. Efforts to contact 287 patients with a diagnosis of diabetes mellitus found that 62% had not established a relationship at the relocated O'Connor Hospital Family Health Center. Eighty-five patients had no phone and could not be contacted. Patients reported that they were unable to get transportation or unable to reach a "live" person to make a new appointment. The Family Practice Residency Program is devoted to this population and has continued to reach out to them, but has no way to locate or transport the many patients it previously served (See survey attached).

- There were a large number of reports that the closure has had a serious access impact on the community since Regional does not serve Medi-Cal. O'Connor has had a flood of uninsured and no-doctor O.B. patients and is overwhelmed with the demand, and is suffering financially because it is disproportionately providing service to the poor and uninsured.
- While there was consensus that a replacement hospital downtown was probably not economically feasible, some did recommend such a facility be built. Others strongly recommend that primary care and urgent care, at a minimum, be located on the site of the closed hospital. Some also suggested a multi-specialty group practice, a free standing surgery center, radiation oncology, mental health services and care for the chronic schizophrenic and for drug users.
- One person recommended leveling the site and building condos. Another suggestion was to open clinics downtown and lease them to several non-profit operators who might want to serve the area collaboratively.
- Several recommended that the City impose a requirement on Regional to serve or fund the serving of the uninsured and Medi-Cal patients who were displaced by the closure of SJMC and have severely impacted O'Connor and Valley Medical Center.
- Selling the property and using the proceeds to open clinics and urgent care downtown was also voiced strongly. Several said that it wasn't right for HCA to get the proceeds of the sale of valuable property downtown and sell it to developers without the community being compensated by HCA to enable provision of services that are no longer available to them in the downtown area. Turning the property into a business park and using the total revenue to build primary care clinics was a recurrent theme.
- With HCA also running Regional, the closure of SJMC has had the impact of two hospitals closing to Medi-Cal recipients. This is overwhelming O'Connor and could force it to fail.
- O'Connor "opened their arms" to these patients and they need to be recognized for stepping up to the plate. One hospital shouldn't shoulder the entire burden.
- Regional is turning away 250 Medi-Cal deliveries per month and O'Connor and Valley are absorbing them.
- Regional should not be allowed to keep its trauma center designation unless it contracts for Medi-Cal. By transferring Medi-Cal and uninsured patients from its

emergency room to other hospitals, Regional isn't doing its share – leaving the unprofitable patient to the other hospitals.

- There appears to be a need for children's services, but not a children's hospital.
- Several warned that HCA would leave the community if it didn't get what it wanted. They do not believe that HCA is committed to the community for the long run.
- It is rumored that HCA wants deed restrictions on the use of the property – would probably support urgent care, but Regional is not large enough to absorb the emergency room demand that has come to it with the closure of SJMC.
- Some reported that there was a consortium of downtown physicians who tried to purchase the medical office building on the SJMC site that currently is rented by physicians, but HCA withdrew the property as not available for sale. The medical community could unite and develop services if they had leadership and had property available. It is believed that if HCA would agree to sell the office building physicians would unite and move into the area.
- A big problem in San Jose is recruiting young physicians into private practice. Housing is very expensive and other than Kaiser, no organization is sponsoring or subsidizing new physicians to enable them to move to the area. There is a serious growing shortage developing. Sponsors are needed, particularly hospitals, to open Federally Qualified Health Centers (FQHCs) and recruit physicians to practice in the downtown area.
- Some physicians reported that they are no longer able to serve Medi-Cal because Regional doesn't admit these patients. They also can't serve Medi-Cal managed care since Regional doesn't contract with those plans either. The impact of HCA's decision to cancel its Medi-Cal contract with Regional has impacted on physician practices too.
- Regional is overcrowded – not enough beds. Patients are managed in hallways during the winter due to lack of beds.
- Regional is not physician friendly – profit oriented only – not interested in physicians or patients.

EXHIBIT 1

San Jose Medical Center Closure Impact Study

Questions for Physicians

January 2007

I. Physicians/groups contacted for original study

Ernie Wallerstein, CEO, San Jose Medical Group
Larry Bonham, M.D., CEO, Santa Clara County Individual Practice Association
and Pacific Partners Management Services, Inc.
James Hinsdale, M.D. Chief of Staff, San Jose Medical Center
Linda Keningsberg, CEO, Excel MSO, LLC
Sydney Choslovsky, M.D., Pulmonologist and Critical Care Physician, San Jose
Medical Center
Robert Norman, M.D., Chief, Family Practice Residency Program, San Jose
Medical Center.

II. Script

We were retained by the City of San Jose Planning Department to prepare a feasibility analysis for various types of health services that could be located on the site of the recently-closed San Jose Medical Center. In conducting this study, we are working with the Stakeholder Advisory Committee. We prepared the original study in 2004 on the impact of the closure of the Medical Center on the downtown community. Our work now involves considering specific uses for the hospital site. We are talking to health-care providers and other health care interests in the community to determine how the hospital closure has affected them, and what they view as potential uses of the site that would best meet the community's health needs.

III. Questions

1. Just prior to the closure (i.e., first half of 2004), approximately what percent of your volume could be attributed to residents of Downtown?
2. After closure (i.e., late 2004-early 2005), did this change? How?
3. Prior to closure, where were you primarily admitting your patients that resided in the downtown area?
4. How have your admitting patterns changed since the closure?
5. Approximately what is your patient volume from this area currently (e.g., visits)?

6. If practice was located near SJMC, did you move your office after the closure?
7. If so, where to?
8. If not, are you planning to move? Where and when?
9. What is your current payer mix (i.e., percent Medicare, Medi-Cal, private insurance, uninsured)?
10. Has this changed since closure? How?
11. What do you believe is the payer mix in general among downtown residents?
12. Is this mix changing? If so, how?
13. If you admit to Regional, how has this hospital's discontinuance of its Medi-Cal contracts affected your Medi-Cal patients and your admitting patterns?
14. If you plan to relocate away from SJMC site, what action by HCA, the County or other health organizations would persuade you to stay? (e.g., a shuttle service to Regional, a clinic located on hospital site, ancillary services on site, enhanced opportunities for peer contact or continuing medical education facilities, anything else?).
15. Have any of your patients suffered an adverse medical outcome because of the closure?
16. Are you hearing reports of a worsening in access to emergency services on the part of downtown residents, other than from a convenience perspective?
17. What are your opinions regarding construction of a new hospital on the SJMC site within the next five to ten years versus another site in the downtown area?
18. What about expanding other hospitals that serve the downtown area (i.e., Valley, O'Connor, Regional) as opposed to building a downtown hospital?
19. Do you believe there is sufficient demand in the downtown area to warrant an urgent care clinic?
20. What other physicians/groups or health plans do you recommend we talk to?

EXHIBIT 2

COUNTS OF PHYSICIANS AT TIME OF SJMC CLOSURE (DECEMBER 2004) AND APRIL 2007

The table below provides data on the number of physicians located near SJMC at the time of closure and in April 2007, focusing on four locations containing the largest concentrations. For all locations counted, at the time of closure there were 124 physicians. The four major locations accounted for 69 percent of the total (86 physicians). By April 2007, 53 physicians relocated – a 43 percent reduction. For the four primary locations, 27 physicians relocated – a 31 percent drop. The remaining physicians at the four major locations now account for 83 percent of the total physicians at all locations near the hospital.

Counts of Physicians Near SJMC at Four Major Locations							
Date	Total	25 N 14th	696 E Santa Clara	55 N 13th	725 E Santa Clara	Total at 4 Locations	% of Total
Dec-04	124	51	10	8	17	86	69%
Apr-07	71	31	11	5	12	59	83%
Change	-53	-20	1	-3	-5	-27	
% Change	-43%	-39%	10%	-38%	-29%	-31%	

Note 1: The counts represent individual physicians where information is available, but in some cases medical offices are counted as one.

Note 2: Excludes dentists and optometrists.

Source: Counts provided by City of San Jose planning staff based on a field survey.